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Mid-term review of the Fifth Country Programme for the Lao People's Democratic Republic

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I. THE MID-TERM REVIEW PROCESS

1. The mid-term review process involved the participation of several working groups composed of government and UNDP personnel, as well as representatives from other United Nations agencies and non-governmental organizations (NGOs) operating in the Lao People's Democratic Republic. The process helped to determine if the various elements of the programme remained relevant to national priorities and were achieving or likely to achieve the desired results, particularly in the face of changes in the country's development context. The review also provided an opportunity to determine if financial and human resources were being used effectively to implement the programme. Various workshops, in which senior government officials participated, were also held, to review the draft of the joint issues paper. The paper identified key issues and provided concrete recommendations to enhance the impact and cost-efficiency of UNDP/Government programme cooperation, and considered future programming directions, based on the country's continued transition to a market-based economy and the articulation of its development strategy through seven national programme priorities. The joint issues paper was reviewed and approved by the Government and UNDP headquarters in mid-1995.

2. The formal mid-term review meeting between the Government and UNDP was held in Vientiane in April 1995.

II. NATIONAL DEVELOPMENT GOALS AND FIFTH COUNTRY PROGRAMME

3. In 1986, the Fourth Party Congress of the Lao People's Revolutionary Party adopted a package of reforms intended to transform the country's centrally-planned, command-based economic system to a market-based system characterized by decentralized economic decision-making and a much expanded private sector. The new economic management system that emerged as a result of the reform package came to be known as the New Economic Mechanism. That market-based economic system was incorporated into the country's constitution in 1991.

4. The fifth country programme for the period 1992-1996 (DP/CP/LAO/5) was designed to support the Government's development plans in the following areas: (a) implementation of economic and administrative reform; (b) development of the country's physical infrastructure; and (c) human resource development.

III. PROGRAMME RESOURCES

5. Total fifth-cycle indicative planning figure (IPF) resources at the time of the formulation of the fifth country programme amounted to $42,156,000. The annex provides a financial summary and breakdown of the allocation of total IPF resources among the different areas of programme concentration.

6. It should be noted that, given the 70 per cent IPF programming limitation, it was agreed at the mid-term review meeting that UNDP should make every effort to tap additional programme resources within the organization (Special Programme Resources, etc.), as well as other external resources. It was further agreed

that the priority target for resource mobilization should be to recoup the 30 per cent reduction in IPF resources, which amounted to $12.6 million.

IV. PROGRAMME EFFECTIVENESS AND PRELIMINARY IMPACT

7. All of the projects supported through the fifth country programme corresponded generally to one or more of the three areas of programme concentration listed in paragraph 4 above. However, in order to increase the impact of the UNDP contribution to the Government's overall development objective, most of these projects were regrouped to achieve a more focused programme approach. Consequently, in February 1995, it was necessary to reduce some of the IPF-funded projects. Activities undertaken to date through the fifth country programme have made a measurable contribution to positive changes in the country's development and remain relevant to the country's continued development. The Government has fully endorsed the assessment of the fifth country programme, as outlined in the joint issues paper, and noted that UNDP cooperation has made an important and efficient contribution to national human resource development. In addition, the mid-term review process helped to ensure the use of specific and targeted performance indicators for UNDP-funded activities, to facilitate more effective monitoring and evaluation.

A. Support to the New Economic Mechanism

8. The mid-term review found that the UNDP contribution to the New Economic Mechanism reform process represented the most focused area of cooperation, considering a specific set of macroeconomic issues and involving key ministries or government bodies. In addition, only a few donors, mostly multilateral, have actively supported the Government's effort to implement and consolidate the macroeconomic reforms introduced through the New Economic Mechanism. Among them, UNDP has been a leading donor, working closely with the International Monetary Fund, the World Bank and the Asian Development Bank, to provide needed technical cooperation. The precise nature of such support, as well as the limited number of donors and government counterparts, have facilitated close and effective collaboration with the Government.

9. In all projects designed to support the New Economic Mechanism, cooperation has been directed towards institution- and capacity-building, in order to support sound management of the different sectors of the country's economy. In the future, more attention will be given to addressing issues that are likely to lead to the negative effects of economic transition and to working more closely with the Government to better understand the effects of economic transition, through specific studies and the development of projects and programmes targeted at a wider population.

10. On the whole, the UNDP contribution to the New Economic Mechanism is well-justified, given the importance the Government has placed on the economic reform process, as well as the success of the process itself. Greater emphasis must now be placed on minimizing the negative effects of the reform process on disadvantaged groups, particularly those living in remote areas, including minorities. The Government's recent emphasis on rural development should help

to extend the benefits of economic growth to a greater percentage of the population.

B. Development of physical infrastructure

11. The fifth country programme proposed that the second area of concentration, the development of physical infrastructure, should be measured through the expansion of transport and communication facilities, as well as the proven results of mineral exploration and hydropower development. The programme document also indicated that the capacity-building results of the programme would be revealed by the demonstrated ability of the Government to plan and implement such expansions and to provide the trained manpower and recurrent funding for further expansion and maintenance. Those principles have guided UNDP cooperation for the development of the country's infrastructure, particularly in helping the Government to formulate master plans and promote foreign investment in areas such as civil aviation, telecommunications, hydropower and minerals. The implementation of projects in the area of infrastructure development, including UNDP- and United Nations Capital Development Fund (UNCDF)-funded projects, has contributed directly to the ability of the Government to plan, manage and supervise projects in the agricultural, transportation, communications, hydropower and urban development sectors. The Government has expressed its appreciation for the contribution made by UNDP in the hydropower sector and noted that UNDP continues to play a key role in assisting the Government in mobilizing additional technical cooperation resources from other donors for the hydropower sector and in coordinating such cooperation.

C. Human resource development

12. The UNDP contribution to human resource development might be measured by assessing the ability of the Government to direct and sustain improvements in the social sector, through its own planning, investment, management and training capacities. While it appears that there had been a distinct lack of focus to human resource development activities in the past, the issue has been addressed in the fifth country programme through the inclusion of training components in virtually all projects, as well as the transfer of skills and training provided by UNDP-funded international experts.

13. The continued lack of trained, qualified human resources in the country has led to a strong emphasis on capacity-building in all UNDP-supported activities, including training for gender-based activities. Of the 350 trainees sent abroad in the period 1992-1994, only 19 per cent were women. The Government and UNDP have agreed to make greater efforts to include more women in all UNDP-funded training activities.

14. Further capacity-building is needed, particularly in the management of externally funded development and technical cooperation projects. At the mid-term review meeting, it was noted that the small, but important project on strengthening national execution (LAO/94/005) will contribute to improved national ownership of the development process, by upgrading project-management

skills and enlarging the pool of trained government managers. In particular, the project will train managers of nationally executed projects, establish and/or clarify institutional arrangements and project management procedures, and assist the National School of Administration and Management in building its management-training capacities. In this regard, the recommendations of the June 1994 round-table meeting have also been taken into account.

15. In cooperation with the World Bank and other donors, UNDP will assist the Government in the formulation and implementation of a comprehensive programme for human resources development, in the areas of education, culture, training, health, nutrition and birth-spacing, in accordance with government requests.

16. The joint issues paper highlighted the potential threat posed by the human immunodeficiency virus (HIV)/acquired immunodeficiency syndrome (AIDS) to the development of the country's human resources. Compared to the situation of the other countries in the region, the spread of the disease remains at an early stage in the Lao People's Democratic Republic. However, given the country's rapid movement towards a more open society and the associated economic and social changes, the joint issues paper recommended urgent preventative action. A new UNDP project has been formulated and is ready for approval. Furthermore, the new Joint and Co-sponsored Programme on HIV/AIDS will help to consolidate United Nations efforts. The Government, UNDP, the World Health Organization, and the relevant United Nations agencies will jointly develop an effective strategy for the prevention and control of HIV/AIDS in the country.

D. New programme priorities

17. At the mid-term review meeting it was recommended that the focus of the programme in the future should be determined by current national priorities and the UNDP comparative advantage. UNDP programmes also should be viewed in the context of a concerted United Nations system effort in the Lao People's Democratic Republic to support key national programmes, to be determined through the recently initiated country strategy note process.

18. Through the review, it was determined that the programme's three areas of concentration had been valid and should remain as designated. It also was agreed that: (a) rural development as a new national priority was not explicitly served in the context of the fifth country programme; (b) human resource development was omnipresent in the programme, rather than a separate programme focus; and (c) limited resources would minimize the role of UNDP in the development of physical infrastructure, with the exception of sector management issues.

19. At the mid-term review workshop, therefore, it was recommended that, in the future, the programme should focus on:

(a) Improved macroeconomic management and governance, through macroeconomic systems, legislation and civil service reform that reflect the Government's new role in the emerging market economy, and the promotion and management of foreign investments in key sectors, such as hydropower and minerals;

(b) Elimination of rural poverty, through decentralized and participatory approaches aimed at village food security and nutrition, improved education, better rural health services and income generation.

20. UNDP will continue to emphasize national ownership of development programmes, aid coordination, and capacity-building and human resource development, not only within the central Government, but also at the local and community levels. Environmental conservation will also be an integral part of all programmes.

V. SUSTAINABLE HUMAN DEVELOPMENT

21. UNDP is working very closely with the Government to operationalize the concept of sustainable human development (SHD), within the framework of the Government's national priorities. The Government's national development strategy is fully consistent with SHD, which will be a key element of the country strategy note and future UNDP programming activities. More attention will be paid to participatory development, including better dialogue and increased work with the community, local groups, local and international NGOs.

22. UNDP and the Government will do more to improve natural resources management. In particular, the UNDP guidelines for environmental management and sustainable development will be applied to all projects, and environmentally benign technologies will be promoted. Efforts will be made to mobilize Capacity 21, Global Environment Facility and other environment-based funding for the country. UNDP will assist the Government in preparing for the ratification of international environment conventions.

VI. UNDP-ADMINISTERED FUNDS

A. United Nations Capital Development Fund

23. UNCDF-supported projects have directly complemented UNDP-supported activities, usually in tandem with IPF-funded projects. In addition, through UNCDF-supported projects in infrastructure-based development, particularly small-scale irrigation, loans and working capital have been provided to support spin-off economic activities. UNCDF has also provided local development funds to encourage private initiatives, particularly small-scale micro-enterprises, such as community-based rice mills and handicraft groups. Future UNCDF programming will continue to stress the community-based approach, with greater involvement of beneficiaries at every stage. Attempts will be made to more fully integrate UNCDF projects within a common United Nations system approach to poverty elimination.

B. United Nations Development Fund for Women

24. Support from the United Nations Development Fund for Women (UNIFEM) has been highly appreciated, and supplements UNDP support to either the Lao Women's Union (LWU) or specific projects for women. UNIFEM, for example, assisted LWU

in gauging the specific impact on women of the national economic reform process. Future UNIFEM projects will be better integrated into UNDP projects and programmes.

C. Management Development Programme

25. As the country's economic reform process evolved, it became clear that further progress could be achieved with a better-equipped public service sector. In response to the Government's request for assistance in mounting a programme of public administration reform, UNDP formulated an IPF-funded project (LAO/92/006) in that area. A complementary project (LAO/92/506) is being funded through the UNDP Management Development Programme (MDP). Those initiatives are making a strong impact and, along with assistance in economic management, form an integral part of the broad push towards improving the country's governance. Other project activities in the country are also supported through MDP.

D. Special Programme Resources

26. SPR administered by UNDP headquarters have been used to: (a) support the fifth round-table meeting; (b) strengthen the national execution modality; and (c) promote SHD initiatives.

VII. OPERATIONAL ISSUES

A. The programme approach

27. UNDP has attempted to adopt more of a programme approach in the fifth country programme, through its three areas of programme concentration. However, due partly to the large number of projects carried over from the fourth country programme, there was still a strong orientation towards stand-alone projects. Most of the projects carried over from the fourth country programme were formulated during that programme period, but were approved and implemented as part of the fifth country programme.

28. Given the fact that development in the Lao People's Democratic Republic is very much project-oriented, UNDP is working closely with the Government to implement the programme approach, where feasible, and to convince the Government of the merit of that approach. The seven development priorities recently approved by the Government opened the door for the application of the programme approach in development planning and better-targeted cooperation.

B. Project management and implementation

29. Implementation constraints identified through the mid-term review process included project time-frames that were too short, given the pace of implementation in the country, the limited capacity of national counterparts, the lack of a national budget, and difficulties in technical coordination between central agencies and provinces and project-based technical personnel.

Other problems identified are the lack of national and provincial standards for tender documents, bidding systems and technical evaluations. The Government's centralized management structure also served as a constraint to timely project implementation, although decentralization of this process is now under way. Some government ministries also indicated that UNDP has been unacceptably slow in providing up-to-date project budget information.

30. The key project management issues identified in the mid-term review process were the availability of counterpart budgets, the efficacy of international technical cooperation expertise, and the quality or competence of counterpart staff. Counterpart budgets inadequate for running costs have affected many UNDP-supported projects. Inadequate counterpart budgets threaten project sustainability and prevent effective government ownership of UNDP-supported projects. It was thus recommended in the joint issues paper that counterpart budgets should cover all project administrative and operational costs, with UNDP funding focused specifically on technical cooperation activities.

31. The availability of qualified government counterparts has also constrained effective project management. Significant efforts have been made to train and upgrade government staff at all levels. However, there remains a lack of qualified national personnel, a problem which has also hampered on-the-job training by UNDP-funded experts and consultants and which has led to the inappropriate assignment of trained staff or their sudden transfer to responsibilities unconnected to their training. Increased emphasis on the transfer of skills, particularly in project management, such as between UNDP chief technical advisers (CTAs) and national project directors (NPDs), will be given more attention. In cases where NPDs are fully able to perform their tasks, the permanent presence of CTAs will be phased out as soon as possible, in favour of short-term monitoring or training missions by foreign experts. In order to obviate problems related to poor understanding by international experts of Lao conditions and administrative structures, it was suggested that the Committee for Planning and Cooperation (CPC) and UNDP should provide a briefing on all aspects of government organization and administration to all long-term experts and consultants.

32. Experience has been mixed among United Nations agencies in identifying suitable expert staff, including CTAs, and undertaking the necessary recruitment and clearance procedures. Delays in recruiting foreign experts have been experienced often, related mainly to difficulties in obtaining clearance by the Government and problems with visa-processing in the Government's embassy in Bangkok, Thailand. It has been agreed that the Government, including CPC and the Ministry of Foreign Affairs, and UNDP, on behalf of the United Nations agencies, should establish a task force to review technical cooperation clearance and visa issues, with a view to establishing faster and more effective processing procedures, through standardized request forms, among other things.

33. Another set of project management and implementation problems stems from inadequate government salaries and the lack of uniform remuneration in projects supported by external donors. UNDP and CPC have agreed to review the matter of per diems for national staff, with a view to establishing a uniform policy for all technical cooperation projects in the Lao People's Democratic Republic. The Government has agreed to make a greater effort to address issues such as project

delays, the need to find other sources of funding, problems in internal coordination and related matters.

C. Monitoring and evaluation

34. Increased attention will be given to monitoring and evaluation of programme activities, which are currently being undertaken in accordance with regular UNDP policies and procedures. In general, tripartite reviews will be more effectively utilized as project management tools and for the assessment of project impact, and more effort will be invested in the tripartite review process, including strict follow-up of agreed-upon actions. Additional funds will be secured (including through the TSS-2 modality) to evaluate overall UNDP cooperation, using broad participatory techniques, in order to better determine how UNDP cooperation is helping the Government to achieve its programme goals. In this context, it was agreed that a strong, independent and professionally competent unit be established to monitor and evaluate the performance and impact of externally funded aid projects in the country, either through CPC or through training for the private and NGO sectors.

35. Without solid socio-economic baseline data it will be extremely difficult for UNDP and the Government to formulate and monitor a meaningful SHD strategy. It is thus proposed that the United Nations development system should improve efforts to collect relevant programme data systematically, particularly socio-economic data, and to work with government partners in analysing such data. Specific performance indicators for UNDP-funded activities will also be developed. Efforts will be made to detail planned project outputs more specifically, in order to facilitate the monitoring and evaluation of UNDP technical cooperation activities, including the impact and effectiveness of such activities. Performance indicators will also serve as important guides to the achievement of specific project objectives and can provide valuable lessons for replicating successful project activities.

36. Apart from the mid-term review process, there is no formal country programme review process. At the mid-term review meeting, it was agreed that joint review meetings would be held on an annual basis. Such meetings would address issues relating to the implementation of UNDP-supported projects, as well as more substantive issues, including emerging development priorities and needs and new approaches to development, such as the further elaboration of SHD.

VIII. MODALITY ISSUES

37. The fifth country programme strongly advocates national management of UNDP-assisted projects and programmes in the Lao People's Democratic Republic, through support to further training and capacity-building. With 11 nationally executed UNDP projects as of February 1995, the current level of national execution in the country compares favourably with that of other countries in the region. On the whole, the introduction of the national execution modality has led to a greater sense of government ownership of the country programme, including greater involvement and authority of government personnel in decision-making on project management and financial issues.

38. Since national execution is the Government's preferred execution modality for UNDP-funded projects, UNDP is working closely with the Government to further strengthen its capacities in various areas of project development, implementation, monitoring and reporting, including financial reporting and accounting. In this regard, appropriate training is being conducted for NPDs and other senior officials, in national execution operational procedures. Trained national United Nations Volunteers have also been recruited, specifically for community development projects. The TSS-2 modality has proven to be a useful and accessible source of funding and expertise for training activities in individual projects.

IX. AID COORDINATION AND RESOURCE MOBILIZATION

39. UNDP continues to play a central role in supporting the Government in aid coordination and in bringing the donor community together on key issues. UNDP has helped the Government to develop a system of aid programming, monitoring, reporting and overall coordination, linked to a broader system of indicative planning, public investment programming, annual budgeting and expenditure management. Assistance also has been provided for the convening of sectoral review meetings. UNDP continues to prepare the annual development cooperation report, and helped the Government prepare for the fifth round-table meeting, held in Geneva, Switzerland, in June 1994. UNDP also assisted the Government in preparations for a follow-up meeting, which took place in Vientiane, in September 1995.

40. During the mid-term review process it was found that the capacity of the Government to identify, formulate, evaluate and implement development projects would need to be further strengthened, in order to successfully implement the country's ambitious Public Investment Programme and to absorb the significant external cooperation pledged through the fifth round-table meeting.

41. At the mid-term review meeting, it was agreed that the preparation for the sixth round-table meeting, scheduled to be held in mid-1996, should begin earlier than it did for the fifth round-table meeting, and that the first draft of round-table meeting documentation should be prepared in-house by CPC, in the Lao language, so as to ensure maximum national ownership of the round-table meeting process.

42. Participants in the review meeting concurred that the 1994 creation of the Foreign Aid Management Committee (Decree 163/PM) would contribute to more efficient aid coordination, under the leadership of the Government. The pivotal role of CPC in ensuring greater coordination of external cooperation for national priorities and needs was noted, and donors reiterated a request to the Government for clarification on the specific roles and responsibilities and operating procedures emanating from the decree. In addition, it was recommended that the UNDP role in aid coordination, including resource mobilization, should be emphasized and further strengthened, and that UNDP should continue to assist and advise the Government in setting external cooperation priorities and in resource mobilization for key national programmes.

Annex

FINANCIAL SUMMARY

I. RESOURCES

A. Resources available for country programme period

	$	$
IPF	23 767 200 a/	
Estimated cost-sharing	4 279 639	
Total		28 046 839

B. Commitments

Approved programmes/project budgets b/		
Approved and allocated IPF	20 750 264	
Approved and unallocated IPF	662 500	
Subtotal		21 412 764
Approved and allocated cost-sharing	4 279 639	
Approved and unallocated cost-sharing	-	
Subtotal		4 279 639
Pipeline programme/project budgets		
IPF	2 502 000	
Cost-sharing	-	
Subtotal		2 502 000
Total		28 194 403

C. Balance of resources available for further programming

IPF	-	(147 564)
Cost-sharing	-	-
Balance of resources available		(147 564) c/

(Footnotes on following page)

(Footnotes to table)

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a/ Compared to the $42,156,000 originally anticipated for the fifth cycle IPF; the reduction results from the revision of the IPF to 70 per cent of its originally established figure and the borrowing of $5,742,000 from the fourth cycle.

b/ "Approved and allocated" refer to those programmes and projects approved by the Action Committee or Bureau PAC for which there exist detailed, signed documents and budgets. "Approved and unallocated" represent the balance of funds available to the programme or project which have yet to be reflected in specific budget lines.

c/ This figure represents the net balance of IPF and cost-sharing resources available plus joint programme funding less approved and allocated/unallocated IPF and cost-sharing funding less pipeline IPF and cost-sharing.

II. PROPOSED (P) AND ACTUAL (A) ALLOCATION OF RESOURCES BY AREA OF CONCENTRATION a/

(Thousands of dollars)

Area of concentration	IPF		Cost-sharing		Total		Percentage of Total	
	(P)	(A)	(P)	(A)	(P)	(A)	(P)	(A)
Poverty alleviation/human development	9 595	6 481	124	1 853	9 719	8 334	24	30
Development of physical infrastructure	11 324	5 471	4 734	2 316	16 058	7 787	39	28
Economic management and administrative reform	11 002	6 807	-	110	11 002	6 917	27	24
Fourth country programme	459	-	-	-	459	-	1	-
Programme support	1 826	-	-	-	1 826	-	4	-
Other	2 255	5 156	-	-	2 255	5 156	5	18
Total	36 461	23 915	4 858	4 279	41 319	28 194	100	100

a/ Taking into account the 30 per cent reduction of IPF for the fifth cycle.

III. ESTIMATED COMPLEMENTARY ASSISTANCE FROM OTHER SOURCES

	At time of formulation of country programme	At time of mid-term review
UNDP-administered funds a/	13 042 000	13 042 000
Other United Nations resources b/	-	1 270 000
Non-United Nations resources	-	-
Total	13 042 000	14 312 000

a/ Including resources from the United Nations Capital Development Fund and the United Nations Children's Fund.

b/ Including resources from the Partners in Development Programme, Domestic Development Services and Special Programme Resources.